

## FEDERAL RESERVE SYSTEM

Banca Intesa S.p.A.  
Milan, Italy

### Order Approving Establishment of a Branch and Representative Offices

Banca Intesa S.p.A. (“Bank”), Milan, Italy, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York. Bank has also applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish representative offices in Chicago, Illinois, and San Francisco, California. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the Board’s approval to establish a branch or representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in newspapers of general circulation in New York, New York (*New York Post*, October 15, 1999), Chicago, Illinois (*Chicago Tribune*, December 6, 1999), and San Francisco, California (*San Francisco Chronicle*, December 7, 1999). The time for filing comments has expired, and the Board has considered all comments received.

Bank, with total consolidated assets of approximately \$194 billion, is one of the largest banks in Italy.<sup>1</sup> Approximately 46 percent of Bank’s shares are held by fourteen shareholders. Bank’s two largest shareholders, Caisse Nationale de Credit Agricole, a French bank, and Fondazione Cariplo, an Italian charitable organization, respectively hold 15.01 and 10.26 percent of Bank’s shares. The

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<sup>1</sup>Unless otherwise indicated, data are as of June 30, 1999.

remaining 54 percent of Bank's shares are widely held, with no shareholder controlling more than 1.5 percent of shares.

Bank engages in retail and commercial banking and other financial activities, including insurance and securities, directly and through its bank and nonbank subsidiaries. Bank has operations in Europe, Asia, the Caribbean, and the United States. Bank operates three nonbank subsidiaries in the United States, and three of Bank's foreign bank subsidiaries, Banco Ambrosiano Veneto S.p.A. ("Ambroveneto"), Cariplo-Cassa di Risparmio delle Provincie Lombarde S.p.A. ("Cariplo"), and Banca Commerciale Italiana S.p.A., operate offices in the United States. Bank's proposed offices would assume the existing business of Cariplo's New York branch and Chicago and San Francisco representative offices and of Ambroveneto's New York representative office, and the U.S. offices of Cariplo and Ambroveneto thereafter would be closed.

In order to approve an application by a foreign bank to establish a branch or representative office in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States and that the applicant has furnished to the Board the information it needs to assess the application adequately. The Board generally also must determine that the foreign bank and any of its foreign bank parents is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.<sup>2</sup> The Board also may take into account additional standards as set forth in the IBA and Regulation K.<sup>3</sup>

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<sup>2</sup>See 12 U.S.C. § 3105(d)(2).

<sup>3</sup>See 12 U.S.C. § 3105(d)(3) & (4); 12 CFR 211.24(c).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to consolidated supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank's overall financial condition and its compliance with law and regulation.<sup>4</sup> The Board has made the following findings with regard to the supervision of Bank.

The Board previously has determined, in connection with applications involving other banks in Italy, that those banks were subject to home country

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<sup>4</sup>See 12 CFR 211.24(c)(1). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision; no single factor is essential, and other elements may inform the Board's determination.

supervision on a consolidated basis.<sup>5</sup> The Board has found that Bank is supervised by the Bank of Italy on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in the IBA and Regulation K.<sup>6</sup> The Bank of Italy has no objection to establishment of the proposed branch and representative offices.

Italy's risk-based capital standards conform to European Union capital standards, which are consistent with those established by the Basle Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed offices. In addition, Bank has established controls and procedures for the offices to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on Bank and any of its affiliates that the

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<sup>5</sup>See *Istituto Bancario San Paolo di Torino S.p.A.*, 82 Federal Reserve Bulletin 1147 (1996); *Banca de Roma S.p.A.*, 82 Federal Reserve Bulletin 1145 (1996).

<sup>6</sup>See 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3).

Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Bank of Italy may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish the state-licensed branch in New York, New York, and the representative offices in Chicago, Illinois, and San Francisco, California, should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the

conditions in this order.<sup>7</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings under applicable law against Bank, its offices, and its affiliates.

By order of the Board of Governors,<sup>8</sup> effective April 5, 2000.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>7</sup>The Board's authority to approve the establishment of the proposed branch and representative offices parallels the continuing authority of the States of New York, Illinois, and California to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of those states to license the proposed offices of Bank in accordance with any terms or conditions they may impose.

<sup>8</sup>Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.